

Message Text

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ACTION AID-59

INFO OCT-01 EA-11 ADP-00 IGA-02 CIAE-00 COME-00 EB-11

FRB-02 INR-10 NSAE-00 RSC-01 TRSE-00 XMB-07 OPIC-12

CIEP-02 LAB-06 SIL-01 OMB-01 NSC-10 SS-15 STR-08

CEA-02 AGR-20 L-03 RSR-01 IO-12 /197 W

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P 211000 Z APR 73

FM AMEMBASSY PHNOM PENH

TO SECSTATE WASHDC PRIORITY 0987

AMEMBASSY BANGKOK PRIORITY

C O N F I D E N T I A L PHNOM PENH 3799

FOR STATE/ AID

E. O. 11652: GDS

TAGS: EGEN, CB, TH

SUBJECT: PURCHASE OF THAI RICE BY GKR

1. SUMMARY. FOLLOWING UNPRODUCTIVE NEGOTIATIONS BETWEEN GKR AND RTG REPRESENTATIVES WHICH TOOK PLACE FROM APRIL 16 TO 18 IN BANGKOK, THE GKR RECEIVED ON APRIL 20 A CABLE FROM THE RTG MAKING A FIRM OFFER FOR 5,000 METRIC TONS OF RICE AT \$176 PER METRIC TON FOB BANGKOK. FREIGHT WAS STILL BEING NEGOTIATED ON THE BASIS OF SOMETHING BETWEEN \$37 AND \$40 PER TON. HOWEVER, ON APRIL 21 THE GKR RECEIVED ANOTHER CABLE STATING THAT THIS OFFER WAS REJECTED BY THE MINISTER OF FOREIGN TRADE PRASIT AND THAT IT WOULD BE ADVISED OF A NEW PRICE SOON. WE URGE THAT AMEMBASSY BANGKOK FOLLOW UP ON THIS MATTER WITH THE RTG TO SEE WHAT CAN BE DONE TO BREAK THIS TRANSACTION LOOSE. END OF SUMMARY.

2. THE NEGOTIATIONS OPENED LATE ON APRIL 16 WITH LY KIM HENG, HEAD OF SONEXIM, AND MR. CHUOMPHOL, DEPUTY DIRECTOR OF FOREIGN TRADE, NEGOTIATING FOR THE RTG. MR. CHUOMPHOL INFORMED THE KHMER THAT HE WAS AUTHORIZED BY THE PRIME MINISTER TO ENTER
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INTO A CONTRACT FOR NO MORE THAN 5,000 METRIC TONS WITH DELIVERIES TO START IN MAY. THE RICE WOULD BE SUPPLIED FROM THE GOVERNMENT STOCKPILE, WHICH IS RUMORED TO HAVE ABOUT 300,000 METRIC TONS. HE STATED THAT THE PRICE WOULD BE ABOUT THE SAME AS UNDER THE CONTRACT FOR THE LAST 2,000 METRIC TONS, OR ABOUT \$135 FOB BANGKOK, PLUS ABOUT \$26 FOR FREIGHT.

3. A CONTRACT WAS NEGOTIATED AT THAT MEETING ON ALL MATTERS OTHER THAN PRICE. THE RTG INITIALLY WANTED THE PRICE TO BE DETERMINED AT THE TIME THE DELIVERY WOULD TAKE PLACE BUT THE KHMER REPRESENTATIVES COUNTERED WITH A REQUEST FOR A FIRM OFFER FOR MAY DELIVERY. THIS WAS AGREED TO AND A FIRM OFFER OF \$136 WAS MADE. THE CONTRACT WAS TO BE SIGNED ON APRIL 17.

4. EARLY ON APRIL 17, THE GKR NEGOTIATORS WERE INFORMED THAT MINISTER OF FOREIGN TRADE PRASIT HAD DISAPPROVED BOTH THE USE OF THE RTG STOCKPILE AND THE PRICE. THEY WERE TOLD THAT IF THEY WISHED TO OBTAIN ANY RICE AT ALL THEY MUST BUY IT FROM THE PUBLIC WAREHOUSE ORGANIZATION (PWO) AS OPPOSED TO THE GOVERNMENT STOCKPILE FROM WHICH THE ABOVE 5,000 METRIC TONS WERE TO HAVE BEEN DELIVERED. PWO OFTEN BUYS FROM FARMERS FOR FUTURE DELIVERIES AND AT PRICES ESTABLISHED AT THE TIME DELIVERIES TAKE PLACE. FOR THIS REASON, AND AGAIN IN CONTRAST TO THE STOCKPILE, THE PWO IMPOSES A 25 PERCENT SURCHARGE TO PROTECT ITSELF FROM FUTURE LOSSES WHICH MIGHT OR MIGHT NOT TAKE PLACE. THE KHMER EXPRESSED SURPRISE THAT THEY WERE OFFERED A FIRM PRICE UNDER NEGOTIATIONS AUTHORIZED BY THE PRIME MINISTER ONLY TO HAVE THIS CANCELLED BY THE MINISTER OF FOREIGN TRADE.

5. THE GKR REPRESENTATIVES ASKED WHEN THEY COULD APPROACH THE PWO AND WERE INFORMED BY CHUOMPHOL THIS WOULD HAVE TO BE APPROVED BY THE MINISTER, A PROCESS THAT WOULD TAKE FEW DAYS. BASED ON PREVIOUS EXPERIENCE WITH THE HEAD OF THE PWO, WHO IS REPORTED TO BE EXTREMELY DIFFICULT EVEN TO MAKE APPOINTMENTS WITH, LY KIM HENG RETURNED TO PHNOM PENH ON APRIL 18. HE TOLD CHUOMPHOL THAT WHEN PWO WAS READY TO MAKE A FIRM OFFER, THE KHMER REPRESENTATIVES WOULD RETURN.

6. ON APRIL 20, LY KIM HENG RECEIVED A CABLE FROM PWO MAKING ANOTHER FIRM OFFER FOR THE 5,000 METRIC TONS, THIS TIME AT \$176 PER TON FOB BANGKOK. HOWEVER, ON APRIL 21, THE
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GKR RECEIVED STILL ANOTHER CABLE INFORMING THEM THAT THIS

OFFER WAS AGAIN REJECTED BY THE MINISTER OF FOREIGN TRADE PRASIT AND THAT THEY WOULD BE ADVISED OF THE NEW PRICE SOON. THE NEGOTIATIONS THUS CONTINUE TO BE UNPRODUCTIVE.

7. IN THE FIRST ROUND OF TALKS, LY KIM HENG WAS TOLD THAT THAI FLAG VESSELS MUST BE USED TO TRANSPORT THE RICE. IN THE FINAL SESSION IN BANGKOK, CHUOMPHOL STATED THAT NOT ONLY WOULD THIS REQUIREMENT HAVE TO BE MET BUT ALSO THE FREIGHT COSTS MIGHT BE AS MUCH AS \$40 PER TON (APPROXIMATELY THE SAME AMOUNT CHARGED FOR FOREIGN FLAG SHIPMENTS FOR A U. S. / BANGKOK VOYAGE). HOWEVER, THE THAIS APPARENTLY RELENTED ON THIS REQUIREMENT. IN THE CABLE OF APRIL 20, THEY INFORMED THE KHMER THAT THEY WERE NEGOTIATING WITH A PANAMANIAN FLAG VESSEL FOR CHARTER AT A RATE OF POSSIBLY \$37 PER TON. NEVERTHELESS, THIS TOO IS PRESENTLY HANGING IN THE AIR IN VIEW OF THE LATEST REJECTION OF THE APRIL 20 FIRM OFFER MENTIONED ABOVE.

8. COMMENT. IT IS OBVIOUS THE RTG KNOWS THE GKR NEEDS THE RICE BADLY AND IS ATTEMPTING TO DRIVE A VERY HARD BARGAIN. GIVEN THE URGENCY OF THE MATTER, WE URGE THE AMEMBASSY BANGKOK FOLLOW UP ON THIS MATTER WITH THE RTG TO SEE WHAT CAN BE DONE TO BREAK THIS TRANSACTION LOOSE.
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